

A CUSHMAN & WAKEFIELD  
RESEARCH PUBLICATION

# SYDNEY'S BUILDING BOOM

Only just beginning

SEPTEMBER 2017

INSIGHTS  
INTO  
ACTION



# INSIGHTS INTO ACTION



Source: Cushman & Wakefield Research



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- E CQT
- F QQT
- G 220 George St
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- J 39 Martin Place
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# SYDNEY'S BUILDING BOOM

The Sydney CBD office market has experienced strong growth in both tenant and investment demand over the past few years, this growth is likely to continue, largely as a result of transport infrastructure developments (\$50 billion) in and around the CBD as well as office, hotel and residential projects valued in and around the CBD.

These developments will help drive economic growth by making it faster and easier to move around the CBD, promote Sydney as a destination and create the space to absorb future business growth.

The Sydney CBD is currently experiencing an unprecedented level of development activity with a value of over \$62 billion that encompasses government infrastructure development, office, hotel and residential projects, these include:

## Infrastructure

The Sydney CBD will benefit from infrastructure projects totalling around \$50 billion. The projects will improve access to and within the CBD. Major projects include:

**Sydney Metro:** Australia's largest public transport project due to be extended into the CBD by 2024. The Sydney Metro is a major infrastructure project to help keep Sydney moving in coming decades and provide for ongoing economic growth. It will deliver 31 metro stations, 66 kilometres of new metro rail and have an ultimate capacity of about 40,000 customers per per hour, similar to

*An unprecedented development boom is set to drive the Sydney CBD and its office market in particular over the next decade.*



Source: Image courtesy of Transport for NSW



other metro systems worldwide. Sydney's current suburban system can reliably carry 24,000 people an hour per line.

The Sydney Metro, together with signalling and infrastructure upgrades across the existing Sydney rail network, will increase the capacity of train services entering the Sydney CBD – from about 120 an hour today to up to 200 services beyond 2024, an increase of up to 60 per cent capacity across the network.

The project has two core components and a recently announced third stage:

**Stage 1: Sydney Metro Northwest** (\$8.3b). A 36-kilometre, project now under

construction and opening in the first half of 2019. When completed the Sydney Metro Northwest will provide customers with new generation, fully automated metro trains every four minutes in the peak.

**Stage 2: Sydney Metro City & Southwest** (\$11.5 to \$12.5b). A 30-kilometre extension from the end of Sydney Metro Northwest at Chatswood to Bankstown.

It will pass under Sydney Harbour, through new CBD stations (Barangaroo, Martin Place, Pitt Street and Central) to Sydenham. Other new stations include Crows Nest, Victoria Cross and Waterloo.

The project will also upgrade and convert all 11 stations between Sydenham and Bankstown to metro standards.

Construction began in 2017 and the line is due to open in 2024 with the ultimate capacity to run a metro train every two minutes each way through the centre of Sydney.

**Stage 3: Sydney Metro West** Announced in November 2016, the Sydney Metro West is a new underground metro railway line that will provide a direct connection between the CBDs of Parramatta and Sydney, linking communities not previously serviced by rail as well as supporting growth between the two major CBDs. The proposed line is forecast to move about 40,000 people an hour in each direction. It will integrate with long-term transport planning for Western Sydney including rail needs currently being investigated for the future Western Sydney Airport. The project is expected to be operational in the second half of the 2020s.



*The Sydney Light rail is currently under construction*

Source: Cushman & Wakefield Research





*The WestConnex program will see development and improvement of 33 kilometres of motorways across Sydney*



Source: Image courtesy of Sydney Motorway Corporation

**\$2.1**  
billion

Sydney light rail 12km project is under construction and will commence running in 2019

### Sydney light rail: The CBD and South East Light Rail (\$2.1b)

The 12km route will feature 19 stops, extending from Circular Quay along George Street to Central Station, through Surry Hills to Moore Park, then to Kensington and Kingsford via Anzac Parade and Randwick via Alison Road and High Street. Construction will be completed and services will start running in 2019.

**Stage 1:** Will include a widened M4 east of Parramatta to Homebush Bay Drive and an extension of the M4 via a tunnel under the Parramatta Road corridor to Parramatta Road and City West Link at Haberfield, expected to be completed in early 2019.

**Stage 2:** Involves upgrading the King Georges Road Interchange and duplicating the M5 East from the King Georges Road Interchange at Beverly Hills to a new interchange at St Peters. Stage 2 is expected to complete in late 2019.

**Stage 3:** A new inner western bypass of the CBD connecting the M4 and M5 forecast to open in 2023.

**\$16.8**  
billion

WestConnex 33km project will see development and improvement of motorways across Sydney

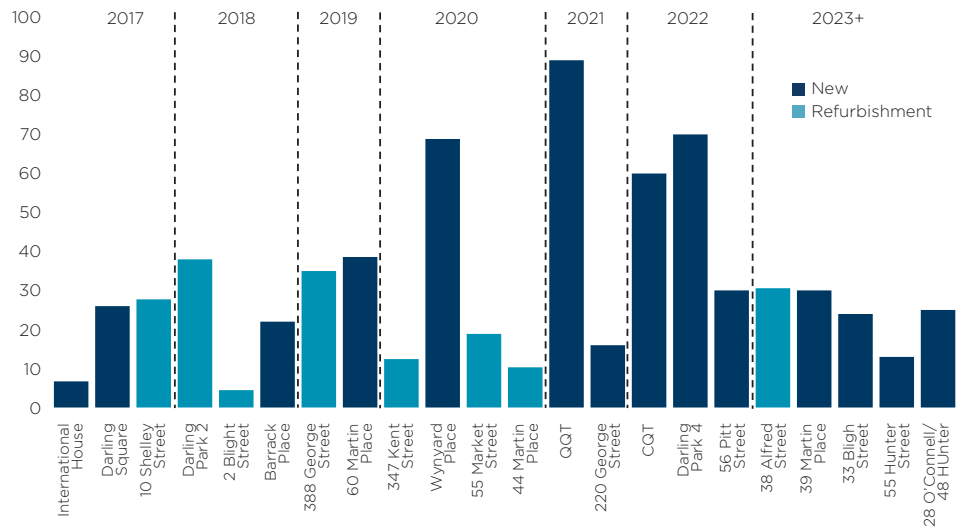
**WestConnex:** WestConnex (\$16.8b). Development and improvement of 33 kilometres of motorways across Sydney. The project is the largest transport project in Australia and is estimated to deliver \$20 billion of economic benefits to the state's economy. The project encompasses three stages:

**\$200**  
million

Upgrade to Circular Quay will see rail, road and ferry upgrades

**\$3.4**  
billion

Revitalisation of Sydney with significant construction in Darling Harbour



**Circular Quay upgrades:** As well a rail and road developments, Sydney's ferry system is also being upgraded. This includes a \$200 million upgrade to Circular Quay ferry wharves which is expected to start in 2019 and includes double storey wharves and new retail facilities.

## Office

The Sydney CBD is currently experiencing a relatively subdued period of office development, with no significant new developments until 60 Martin Place (38,600 sq m) in 2019 and Wynyard Place (68,808 sq m) in 2020. Following these developments, Sydney's next supply cycle is due to begin in earnest from 2021 with significant proposed developments including Quay Quarter Tower at 50 Bridge Street, Circular Quay Tower at 180 George Street and Darling Park 4.

## Hotel

Sydney is experiencing a wave of hotel developments with around 3,000 additional rooms and an estimated value of over \$4 billion. The development wave, according to the Tourism Accommodation Australia, comes after a hotel building drought that followed the Sydney Olympics in 2000 and "will set up the city for a decade-long tourism boom".

The hotel development is occurring across the CBD though a significant

amount of construction is in the Darling Harbour. This development forms part of a \$3.4 billion revitalisation of the precinct which includes the \$1.5 billion redevelopment of the Sydney International Convention Centre (ICC) and surrounding public facilities. Adjacent to the new ICC is one of the largest new hotel developments in Sydney in more than 20 years, the \$350 million 595 room Sofitel Sydney Darling Harbour, opening in October 2017. Also at Darling Harbour, The \$700 million Ribbon hotel and residential development on the former IMAX theatre site will include the 402 room W Hotel.

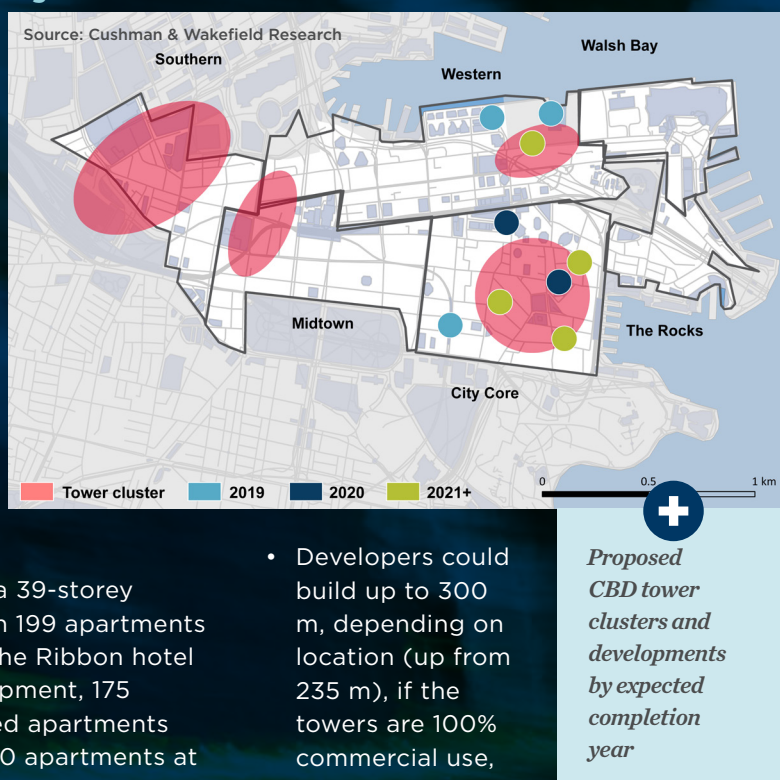
Other new hotels also include: the 121 room Porter House MGallery; the 305 room IHG Holiday Inn Sydney Central; the 222 room expansion to 892 rooms and rebranding to the Hyatt Regency of the Four Points by Sheraton; the 194 room Adina Grand; the 181 room Wanda Vista Hotel as well as the \$300 million redevelopment of the Lands and Education buildings on Bridge Street or 'Sandstones' into a new hotel. These new developments will help revitalise Sydney as a tourist destination and support economic growth in the CBD.

## Residential

New residential development in the CBD has allowed the population to grow from 133,173 in 2001 to 230,326 by 2016, an expansion of over 70%.



Figure 2



Residential development is set to continue with a number of major developments in the pipeline. These include: Wanda's One Circular Quay residential and hotel development; AMPs Quay Quarter Tower mixed use development; the conversion of the Coca Cola Amatil Building into 109 luxury flats and serviced apartments; a 39-storey mixed use project with 199 apartments on York and George; the Ribbon hotel and residential development, 175 residential and serviced apartments at 333 Kent Street; 200 apartments at 161-165 Clarence Street; the Greenland Centre which will be the tallest residential building in the Sydney skyline standing at 235 metres and many others.

The growing residential population has supported and will continue to drive a more diversified economy in the CBD, allowing retail expansion, especially food and beverage.

### Central Sydney Planning Strategy

In 2016, the City of Sydney recently released a draft Central Sydney Planning Strategy (CSPS). The CSPS aims to reduce the proportion of residential development and nearly triple the amount of commercial floor space that can be added before capacity in the Sydney CBD is reached. This should provide for jobs growth of around 100,000 over the next 20 years and help to maintain the CBD's role as a key driver of economic growth.

Key point from the proposal include:

- All new towers over 55m would have to be at least 50% commercial space and require a site size of at least 1,000 sq m.

- Developers could build up to 300 m, depending on location (up from 235 m), if the towers are 100% commercial use, i.e. a 28% increase in height.
- Building height will be limited to 55m or less on sites with an area of 1,000 sq m or less, or on sites that cannot meet performance criteria.
- The potential size of towers in the western precinct increases from 80 to 110m, a 38% increase in height.
- The new towers should be centred in four main clusters in the core, western, midtown and southern precincts (Figure 2).

The proposed planning strategy should allow for consolidation of sites and continued growth of the CBD office market.

### Summary

Sydney's development boom is set to drive economic development. Infrastructure, office, hotel and residential projects will make transport easier as well as support population, employment, retail and tourism growth. This should provide the underlying structure to support ongoing growth in tenant demand for office space in the CBD over the coming decades.

**70%**  
expansion

Of the population from new residential developments in the CBD

**100K**  
jobs

Created over the next 20 years to help maintain economic growth

# INSIGHTS INTO ACTION

For more information about Cushman & Wakefield Research, please contact:



**JAMES QUIGLEY**  
Head of Capital Markets,  
Australia and New Zealand  
+61 (2) 412 833 797  
james.quigley@cushwake.com



**PAUL FERNANDES**  
National Director  
+61 (2) 416 249 117  
paul.fernandes@cushwake.com

## Authors:



**JOHN SEARS**  
National Director, Research  
+61 (2) 8243 9973  
john.sears@cushwake.com



**DOMINIC BROWN**  
Head of Research,  
Australia and New Zealand  
+61 (2) 431 947 161  
dominic.brown@cushwake.com

To see a full list of all our publications please go to [cushmanwakefield.com](http://cushmanwakefield.com) or download the Research App

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Sydney Office  
Level 22, 1 O'Connell Street  
Sydney NSW 2000  
Australia  
Phone +61 (2) 8243 9999

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